

*This management's discussion and analysis ("MD&A") focuses on significant factors that affected Panoro Minerals Ltd. (the "Company") during the year and the three months ended December 31, 2006 and to the date of this report. The MD&A supplements, but does not form part of, the audited consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2006. Consequently, the following discussion and analysis should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2006, as well as the audited consolidated financial statements for the previous year ended December 31, 2005 the notes thereto and the prior Forms 51-102F1 MD&A filed at the time of and coinciding with the consolidated financial statements for the year ended December 31, 2005 and the previous quarter ended September 30, 2006.*

*The information in the MD&A may contain forward-looking statements. These statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth below.*

## **CORPORATE AND FINANCIAL ACTIVITIES**

During the Fourth Quarter of 2006 no changes in the corporate affairs and the composition of the Board of the Company or of its officers occurred.

On June 29, 2006 the Company held the Annual General Meeting of its members. The following persons were re-elected as Directors of the Company:

C.Allen Born, William J. Boden, Christian G. Pilon, Christiaan F. Staargaard, Lorne Torhjelm and Helmut H. Wober.

Subsequently the Board of Directors appointed the following officers:

Chairman of the Board: C. Allen Born

President and CEO: Helmut H. Wober

Chief Financial Officer: William J. Boden

Audit Committee: William J. Boden, Christiaan F. Staargaard, Lorne Torhjelm.

## **FINANCING ACTIVITIES DURING THE YEAR 2006**

On May 31, 2006 the Company completed a non-brokered private placement issuing 2,410,000 units at a price of \$0.35 per unit, each unit consisting of one (1) common share and one non-transferable share purchase warrant with an exercise price of \$0.50 with an expiry date of November 30, 2007. Gross proceeds from the offering were \$843,500. Finders fees as permitted by the TSX Venture Exchange totaling \$ 9,595 in cash and 9,800 in Units were paid on a portion of the funds raised.

There were no financing activities during the Fourth Quarter of 2006.

## **RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

During the Fourth Quarter of 2006 the Company's activities at the Surigao Joint Venture in the Philippines, operated by Mindoro Resources Ltd., saw the completion of the approved exploration programs. Subsequently the Joint Venture Partners and the Company entered into negotiations to form two separate joint venture companies and to formulate the attendant share holder agreements.

During the month of July the company reached the Threshold Amount of C \$ 2,000,000 in exploration expenditures to earn its initial 40% interest in the Surigao Joint Venture between the Company, Mindoro Resources Ltd. and Mindoro's Philippine Subsidiary MRL Gold Phils., Inc. (Mindoro). On October 11, 2006 the Company formally exercised its Option to acquire this 40% interest which was acknowledged by Mindoro in its letter of October 20, 2006.

Up to and including the Mindoro Cash call for October 2006 the Company has invested a total of \$2,396,003 in the Surigao Joint Venture this amount includes direct payments for Cash Calls/Exploration expenditures to Mindoro, direct expenditures incurred by the Company and the value of shares in Mindoro and Panoro, which were paid in consideration for property acquisitions.

Subsequently the Company entered into negotiations with Mindoro to sell its 40% Interest in the Surigao Joint Venture to Mindoro. The Purchase and Sale Agreement was signed on March 14, 2007. Part of the consideration for the sale and purchase was the agreement by Mindoro that Panoro would have to make no further payments beyond the payments that Panoro made for the Cash Call for October, i.e. November and/or December. The principal considerations that the Company is to receive for the sale of its 40% interest are:

Upon closing, as consideration for the purchase of the interest, Mindoro will pay Panoro \$750,000 cash plus 500,000 Mindoro Common shares; Mindoro will make a second payment of \$500,000 cash plus 500,000 Common shares on the first anniversary of the closing. Furthermore, in the event that the nickel laterite prospect located on the Agata project should proceed to production and upon shipment of an aggregate one million tonnes of nickel laterite, Mindoro will pay Panoro \$500,000 cash plus an additional \$500,000 cash payment on the first anniversary of the shipment.

The Purchase and Sale Agreement and issue of Common shares for the sale and purchase by Mindoro of the company's interest in the Surigao Joint Venture are subject to regulatory approval.

The Company has since May of 2006 also been involved in a bidding process for the acquisition of all the outstanding shares of Cordillera de las Minas, a Peruvian company that is beneficially owned in equal parts by Compania Vale do Rio Doce (CVRD) and Antafagasta PLC. After several rounds of bidding the Company was informed on December 18, 2006 that it was considered the preferred buyer for CDLM. Subsequent negotiations with Standard Bank, the agents for the vendors, have led to the signing of a Purchase and Sale Agreement on March 2, 2007.

CDLM is the 100% owner of a portfolio of 13 properties, including the advanced stage Cotabambas and Antilla projects, all of which are located in the Andahuaylas – Yauri Belt of Peru south of Cuzco where a number of recently discovered significant porphyry copper and copper-gold deposits are in various stages of advanced exploration or pre-development. The entire portfolio consists of 63 individual licences covering a total area of 43,792 hectares.

On signing the Purchase and Sale Agreement, Panoro has made a non-refundable down payment of US\$ 500,000. On closing, the Company will pay the vendors US\$ 12,500,000 and Six Million common shares of Panoro Minerals Ltd. Closing will be no later than 90 days after signing of the Purchase and Sale Agreement, on or before June 2, 2007, and is subject to financing and regulatory approval.

Conditional Approval from the TSX Venture Exchange was received on March 15, 2007.

In regard to the El Rosal/La Ramada project in Peru, work consisted of continued and extensive consultations with regional and local authorities, communities and landowners regarding the confirmation of earlier authorizations from the land owners for further work programs. Proposals were solicited from engineering/environmental consulting firms regarding new environmental and archaeological studies for new permit applications for further drilling programs. These studies and permit applications will be undertaken as soon as the consultations with the land owners have been concluded.

After completion of the audited financial statements for the year the following are final results of the operations that are adjusted from earlier figures reported for the first three quarters.

During the First Quarter 2006 the Company expended \$99,593 on general and administrative expenses that includes \$29,196 of stock-based compensation and \$221,630 on mineral exploration activities. As at March 31, 2006, the carrying value of the El Rosal property, consisting of deferred acquisition and exploration costs, was \$3,452,981 and the Surigao property was \$1,393,747.

During the Second Quarter 2006 the Company expended \$184,253 on general and administrative expenses that includes \$59,720 of stock-based compensation and \$671,123 on mineral exploration activities. As at June 30, 2006, the carrying value of the El Rosal property, consisting of deferred acquisition and exploration costs, was \$ 3,529,012 and the Surigao property was \$1,988,764.

During the Third Quarter 2006 the Company expended \$101,242 on general and administrative expenses, net of interest that includes \$44,458 of stock-based compensation and \$327,794 on mineral exploration activities. As at September 30, 2006, the carrying value of the El Rosal property, consisting of deferred acquisition and exploration costs, was \$ 3,563,497 and the Surigao property was \$2,282,217.

During the Fourth Quarter the Company expended 254,455 on general and administrative expenses that include \$136,815 stock-based compensation and there were no expenses on mineral exploration activities.

As at December 31, 2006, the carrying value of the El Rosal property, consisting of deferred acquisition and exploration costs, was \$3,563,001 and the Surigao property was \$2,000,000.

As at December 31, 2006 the Company had a working capital of \$1,165,005, which management believes will be sufficient to achieve the Company's planned corporate and administrative expenses for the coming year.

The financial information referenced below has been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are outlined within Note 2 to the audited consolidated financial statements of the Company for the year ended December 31, 2006.

The tables below sets out the quarterly results for the past eight quarters and selected financial information for the previous two completed fiscal years.

**PANORO MINERALS LTD.**  
**Form 51-102F1**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2006**

**AMENDED May 11, 2007**

**April 12, 2007**

	Dec 31, 2006	Sept 30, 2006	June 30, 2006	Mar. 31, 2006	Dec 31, 2005	Sept 30, 2005	June 30, 2005	Mar 31, 2005
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General & administrative expenses	254,455	101,242	184,253	99,593	110,101	127,727	118,421	165,441
Other income	(13,027)	(11,718)	(15,772)	(12,587)	(11,044)	(3,954)	(897)	(5,880)
Write-down of mineral interests	332,003	-	-	-	-	-	-	-
Property investigation costs	59,741	-	-	-	-	-	-	-
<b>Loss for the period</b>	<b>633,172</b>	<b>89,524</b>	<b>168,481</b>	<b>\$87,006</b>	<b>\$99,057</b>	<b>\$123,773</b>	<b>\$117,524</b>	<b>\$159,561</b>

	<b>Year Ended December 31, 2006</b> (audited)	<b>Year Ended December 31, 2005</b> (audited)	<b>Year Ended December 31, 2004</b> (audited)
Revenue	\$ 0	\$ 0	\$ 0
General & administration expenses	639,543	521,689	309,393
Other income	(53,104)	(21,775)	(21,963)
Loss for the year	978,183	499,914	287,430
Working capital	1,125,788	1,877,685	596,433
Properties:			
Acquisition and deferred exploration cost	5,563,001	4,625,024	3,825,260
Other assets	5,771	7,640	10,158
Shareholders' equity:			
Capital stock	34,425,925	8,365,684	5,899,834
Deferred debt	0	0	0
Option compensation	270,189	148,774	91,673
Deficit	(3,129,426)	(2,151,243)	(1,651,329)

**COMMITMENTS**

Effective September 1, 2005 the Company has by way of a Resolution of the Board of Directors entered into agreements to pay \$8,000 per month for management services provided by the president of the Company and project management fees to a director of US \$1,500 per month. Both prior agreements had expired at the end of June of 2005.

The Company will pay US \$10,000 to Intercapital SAB SA, a brokerage firm and member of Lima Exchange upon completion of the Company's listings on the Lima Exchange.

**OPTIONS**

The total number of stock options granted and outstanding under the Company's original and amended Stock Option Plans as of December 31, 2005 was 3,450,000 and after granting 800,000 stock options to Directors of the Company and its newly incorporated Philippine subsidiary on April 19, 2006 is 4,250,000.

No stock options have been granted during the Third Quarter. Subsequent to the end of the Third Quarter 100,000 options were granted conditionally on October 20th to a financial and business advisor of the Company in Peru and 75,000 options were granted on October 31st to a contract employee. This brings the total number of Options issued and outstanding at the time of writing to 4,425,000.

## **WARRANTS**

2,117,505 remaining non-transferable warrants with an exercise price of \$ 0.28 issued in a private placement on January 28, 2005 expired on July 27, 2006. A total of 208,556 warrants of this issue had been exercised.

5,477,000 non-transferable two year warrants at an exercise price of \$0.25 during the first 12 months and \$0.30 during the second twelve months, with a hold period of four months, were issued on September 1, 2005 in conjunction with the Private Placement that closed on that date. After exercise of some of these warrants in 2005 and 2006, 5,167,000 warrants of this issue remained outstanding at the increased exercise price of \$0.30 on December 31, 2006. These warrants expire on September 1, 2007. At the time of writing this MD&A a total of 3,462,000 warrants at an exercise price of \$0.30 remain outstanding.

The Company issued 2,419,800 warrants at an exercise price of \$0.50, expiring November 30, 2007 in conjunction with the Private Placement Financing that closed on May 31, 2006. At the time of writing this MD&A 70,000 warrants were exercised for a total proceed of \$35,000.

Subsequent to the year end 1,775,000 warrants and 200,000 stock options were exercised for total proceeds of \$ 591,500.

## **RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2006, the Company paid \$96,000 for management services provided by the president of the Company and \$20,400 for project management services provided by a director.

During the year ended December 31, 2006, office rent of \$6,394 and drilling expense of \$4,800 were paid to a private company controlled by a director of the Company.

As of December 31, 2006, there is \$4,300 travel advance paid to a director of the Company.

## **PROJECTS**

### **EL ROSAL, PERU**

The results of the exploration work carried out during the first half of 2006 have been described and summarized in the Management Discussion and Analysis for the Second Quarter of 2006.

At the time of writing a NI43-101 compliant report prepared by Northwest Geological Consulting, Uwe Schmidt, P.Geo., with recommendations has been received. The report has been filed on SEDAR and is also available on the Company's Website.

The following is quoted from the Summary of the report: "This report summarizes previous work on the property but focuses on exploration carried out in 2004 and 2006, which has not been previously reported. The 2004 and 2006 programs have continued to advance the property and provided additional exploration targets and evidence to support the exploration model employed by Panoro Minerals. Additional drilling, to test these targets, is recommended, which includes seven diamond drill holes totaling 2,600 meters. Six holes are recommended in La Ramada area and one hole in El Rosal area. This program is estimated to cost US \$542,500."

The Company has commenced the process of obtaining the necessary permits from the authorities and the requisite authorizations from the landowners and local communities to carry out a drill program on the project, subject to the availability of reliable drill contractors and drill rigs. This process is still ongoing and has become more complex due to the involvement of an increasing number of stake holders.

#### **SURIGAO OPTION AND JOINT VENTURE, PHILIPPINES**

The results of the exploration work at the Surigao Joint Venture have been reported on in the Management Discussion and Analysis for the Third Quarter of 2006, dated November 22, 2006. No further significant field work has been carried out since and the approved budgets had all been expended, i.e. both the Phase I and Phase II budgets of Year 2 of the Joint Venture.

The vesting of the Company's 40% Option Interest was followed by a period of drafting share holders agreements for the two Joint Venture Companies that were to be formed under the existing agreements for the Canaga and Agata portions of the Surigao Joint Venture lands.

As described above under RESULTS OF OPERATIONS the Company subsequently decided to divest itself of its interest in the Surigao Joint Venture in order to focus all its resources and attention on Peru and the newly acquired portfolio of projects of Cordillera de las Minas.

#### **THE CORDILLERA DE LAS MINAS ACQUISITION**

The acquisition of the portfolio of advanced projects and properties of Cordillera de las Minas constitutes a milestone in the history of the Company. The two principal projects and additional properties have been summarized in the Company's news release of March 5, 2007.

CDLM is the 100% owner of a portfolio of 13 properties, including the advanced stage Cotabambas and Antilla projects, all of which are located in the Andahuaylas – Yauri Belt of Peru south of Cuzco where a number of recently discovered significant porphyry copper and copper-gold deposits are in various stages of advanced exploration or pre-development. The entire portfolio consists of 63 individual licences covering a total area of 43,792 hectares.

**Cotabambas** (9,900 hectares) is an advanced exploration project on a cluster of copper gold porphyry systems. A total of 11,770 metres of diamond drilling in 33 holes have been carried out on the project to date. SRK Consulting has estimated an Inferred Mineral Resource of 90 million tonnes at a grade of 0.77% copper and 0.42 grams of gold per tonne, at a cut-off grade of 0.4% copper. The potential to upgrade and to expand this estimate is considered to be excellent. The Cotabambas project is located about 38 kilometers due north of Xstrata's Las Bambas project with reported resources of 300 million tonnes with a grade of 1.1% copper.

**Antilla** (6,600 hectares) the second principal project, is also in an advanced exploration stage. The identified mineralization consists of a zone of secondary enrichment of porphyry style copper mineralization and alteration (consisting of secondary biotite) in a package of quartzites and arenites that has been intruded by a system of this type. The mineralization consists of predominantly sulphides (chalcocite, chalcopyrite and pyrite) associated with quartz stock-works, veinlets and disseminations. The project has to date been explored by 4,012 metres of diamond drilling in 19 holes of which 8 holes lie within the projected zone of mineralization. SRK Consulting is of the opinion that the Antilla deposit is an excellent Exploration Target with potential in the range of 135 million tonnes, at grades ranging from 0.61% to 0.75% copper. The potential to confirm and expand this target is also considered to be excellent. The Antilla project is located approximately 25 kilometers southeast of Grupo Mexico's Las Chancas project with reported resources of 200 million tonnes with a grade of 1% copper.

The reader is cautioned that the potential quantity and grade of Exploration Targets as described is conceptual in nature, that there has been insufficient exploration to define a mineral resource and that it is uncertain if further exploration will result in the target being delineated as a mineral resource.

Both principal projects have received extensive prior work in the form of stream sediment-, rock- and soil geochemical surveys, ground magnetometer and induced polarization surveys.

Other mineral deposits that have been reported from the Andahuaylas -Yauri Belt are the Constancia/San Jose project of Norsemont with an Indicated Resource of 58 million tonnes of 0.589% copper and 0.015% molybdenum and an Inferred Resource of 104 million tonnes of 0.53% copper and 0.014% molybdenum as well as the Haquira project of Antares with an Inferred Resource of 129 million tonnes with a grade of 0.49% copper (amenable to SX/EW treatment) and 89.2 million tonnes with a grade of 0.42% copper in primary sulphides.

**Further Highlights and Properties Included in the Acquisition:**

a) Alicia (2,594 hectares) consists of porphyry and skarn-style mineralization which, on the basis of 240 rock channel samples in surface trenches and projection to an average depth of 80 metres, is considered to be an Exploration Target of 4.5 million tonnes with grades in the range of 2.0-2.4% copper along with elevated values of gold, silver and molybdenum.

b) Promesa (3,000 hectares) the south-western-most prospect 35 kilometers southwest of Alicia, has received four diamond drill holes totalling 1,540 meters, with porphyry style mineralization encountered in each hole over several meters to 62 meters of 0.43% copper. Further work will be required on this prospect as well.

c) The Kusiorcco (3,862 hectares) property and target area lies at the same periphery of a circular feature visible on satellite imagery that also contains the Katanga Mine and Norsemont's Constancia project and includes a number of porphyry and skarn targets for drilling based on geophysical and geological surveys.

The concessions of the Kusiorcco property are intertwined with concessions of Compañía Minera Maria Reyna, with Mitsui concessions adjoining to the south and Rio Tinto concessions to the west.

d) Pistoro Norte (2,100 hectares) contains larger geophysical drill targets at depth below porphyry style alteration and mineralization at surface.

e) Morosayhuas (800 hectares), closest to Cuzco, while showing a modest size area of porphyry style mineralization and alteration on surface, holds potentially much larger geophysical targets at depth.

f) Cochasayhuas (1,800 hectares), located close to the Haquira project of Antares has seen historical gold production from vein type mineralization in the years of 1912 to 1952, reportedly totalling 401,000 ounces of gold and 480,000 ounces of silver.

g) Sancapampa (1,200 hectares) 40 kilometers west of Cotabambas contains a 1 kilometer by 3 kilometer silica cap which may represent the top of an epithermal system. The target was discovered by stream sediment sampling and follow up prospecting.

The property portfolio comes with a large database of regional geochemical and airborne geophysical data that can be utilized to develop additional prospects.

An independent report on the portfolio has been prepared by SRK Consulting under the guidelines of National Instrument 43-101 and is available in full on SEDAR and on the Company's website.

## **CONCLUSIONS FOR THE YEAR OF 2006**

Re.: El ROSAL – LA RAMADA:

Both the El Rosal and the La Ramada targets remain to be targets of high prospectivity for the occurrence of a porphyry copper – gold (La Ramada) deposit. While the targets are deep, future copper porphyries will increasingly be found at depths that will require bulk underground mining. This has not only been done in the past as far as over 30 years ago (San Manuel, Arizona), bulk underground mining is currently being practiced (El Teniente, Chile) and a number of current open pit operations are in the process of converting to underground mining. The increase of the commodity price not only reflects a high demand, but also the scarcity of increasing supply from the hitherto predominant open pit operations.

The Company remains committed to this project and will pursue a strategy of the best use of its resources to further exploration on it, while at the same time pursuing and evaluating further opportunities with large scale potential. The emphasis in this pursuit will be on advanced projects with the proven presence of porphyry systems and indications of a significant mineral inventory.

A full report on the El Rosal/La Ramada Project prepared by Northwest Geological Consulting Ltd. has been received at the beginning of the year and is available on SEDAR and on the Company's website.

## CORDILLERA DE LAS MINAS PORTFOLIO

This group of projects together with the Company's El Rosal/La Ramada Project will become the central focus of the Company's activities in 2007 and in the years to come, subject to the successful conclusion of a financing that the Company has planned and is in the process of implementing.

### **General**

The Company has been trading on the Frankfurt Stock Exchange since February 14, 2005 under the trading symbol "PZM" and the German Securities No. (WKN) 914959.

The Frankfurt Stock Exchange, which offers fully electronic trading facilities, is the largest of eight German stock exchanges. It ranks amongst NYSE, NASDAQ, and London as one of the world's largest stock exchanges. For more information on the Frankfurt Stock Exchange visit: [www.exchange.de](http://www.exchange.de)

During the month of September steps were undertaken to list the shares of the Company for trading on the Junior Board of the Lima Stock Exchange. This process is underway, pending the assembly of the required documentation and updated Company reports.

### **Reconciliation of Proposed and Actual General Expenditures**

During the month of July the Company reached the \$ 2,000,000 mark in total expenditures towards vesting its 40% Interest in the Surigao Joint Venture.

Subsequent expenditures under the agreements, foresee that the contributions of the Philippine partner Minimax are covered by Panoro and Mindoro in the form of an interest bearing loan extended to Minimax. Under this formula post-vesting expenditures are covered 53.33% by Panoro and 46.67% by Mindoro.

The total expenditures by the Company for the Surigao Joint Venture in Year 1 and 2 amounts to \$2,396,003 comprised of cash call payments to Mindoro, direct costs incurred by the Company and the value of shares of Panoro and Mindoro that were paid for the acquisition of additional concessions.

Under the terms of the Purchase and Sale Agreement with Mindoro for the Company's 40% interest in the Surigao Joint Venture Cash Calls amounting to a total of \$58,727 become non-payable and the amount becomes part of the consideration to be received by the Company.

During the first nine months of this year the Company has expended a total of \$ 122,968 on exploration at the El Rosal Project in Peru. This corresponds to internally projected exploration costs for this program.

The costs to the Company for the evaluation of the Cordillera de las Minas acquisition, including field visits by Company personnel and consultants, legal and financial due diligence, legal costs incurred in Canada and Peru amount to \$59,741 for 2006.

The Company has sufficient funds to cover all of the above budgeted commitments and the general operating costs of the Company for the next 12 months.

## **RISK FACTORS**

The following are the material risk factors which the Issuer has identified in respect of any investment in its securities

### **Reserves**

The Issuer's properties are in the exploration stage and are without a known body of commercial ore. Development of any of the Issuer's properties will only follow upon obtaining satisfactory exploration results. There is no certainty that the expenditures made by the Issuer in exploring its mineral properties will result in discoveries of commercial quantities of ore. Most exploration projects do not result in the discovery of a commercially mineable deposit of ore.

### **Exploration**

The business of exploration for minerals involves a high degree of risk and few properties become producing mines. Unprofitable efforts result not only from the failure to discover mineral deposits, but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. There is no assurance that the Issuer's future exploration and development activities will result in any discoveries of commercial bodies of ore. The marketability of minerals acquired or discovered by the Issuer may be affected by numerous factors which are beyond the control of the Issuer and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of mining facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Issuer's not receiving an adequate return on invested capital.

### **Market Forces**

There is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist for the sale of same. Factors beyond the control of the Issuer may affect the marketability of any mineral occurrences discovered. The price of gold has experienced volatile and significant price movements over short periods of time, and is affected by numerous factors beyond the control of the Issuer, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the United States dollar relative to the Canadian dollar and other currencies), interest rates and global or regional consumption patterns (such as the development of gold coin programs), speculative activities and increased production due to improved mining and production methods.

### **Insufficient Capital**

The Issuer does not have sufficient funds to complete all of its exploration and development programs. Therefore, additional funds will be required. The only sources of future funds for its exploration and development programs is the sale of equity capital or by entering into an option and joint venture agreement with another party. There is no assurance that the Issuer will be successful in obtaining further financing. A failure to obtain further financing could result in the loss or substantial dilution of the Issuer's interests in its properties.

### **Environmental Regulation**

Existing and possible future environmental legislation, regulations and actions could give rise to additional expense, capital expenditures, restrictions and delays in the activities of the Issuer, the extent of which cannot be predicted. Regulatory requirements and environmental standards are subject to constant evaluation and may be significantly increased, which could materially affect the business of the Issuer or its ability to develop its properties. Before production can commence on any of its mineral properties, the Issuer must obtain regulatory and environmental approvals. There is no assurance that such approvals will be obtained on a timely basis. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or preclude entirely the economic development of the Property.

### **No History of Earnings**

The Issuer has no history of earnings. The Issuer has paid no dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Issuer is through the sale of its equity shares or by way of loans. While the Issuer may generate additional working capital through the operation, development, sale or possible syndication of its prospects, there is no assurance that any such funds will be generated.

### **Mining Operations**

Mining operations generally involve a high degree of risk which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The business of gold mining is subject to a variety of risks such as fires, power outages, labour disruptions, industrial accidents, flooding, explosions, cave-ins, land slides, and other environmental hazards, technical failures, the inability to obtain suitable or adequate machinery, equipment or labour, are some of the risks involved in the operations of mines and the conduct of exploration programs. Such occurrences, against which the Issuer cannot, or may elect not to insure, may delay production, increase production costs or result in liability. The payment of such liabilities may have a material adverse effect on the Issuer's financial position. The economics of developing mineral properties are affected by such factors as the cost of operations, variations in the grade and metallurgy of the ore mined, fluctuations in mineral markets, costs of processing and equipment, transportation costs, government regulations including regulations relating to royalties, allowable production, importing and exporting of mineral product, and environmental protection rules and regulations.

### **Competition**

The resource industry is intensely competitive in all of its phases, and the Issuer competes with many companies possessing greater financial resources and technical facilities than itself. Competition could adversely affect the Issuer's ability to acquire suitable producing properties or prospects for exploration in the future.

### **Mineral Tenure**

In those jurisdictions where the Issuer has property interests, the Issuer makes a search of mining records in accordance with mining industry practices to confirm satisfactory title to properties in which it holds or

intends to acquire an interest, but does not obtain title insurance with respect to such properties. The possibility exists that title to one or more of its properties, particularly title to undeveloped properties, might be defective because of errors or omissions in the chain of title, including defects in conveyances and defects in locating or maintaining such claims, prior unregistered agreements or transfers, and title may be affected by undetected defects or native land claims. For unsurveyed mineral claims, the boundaries of such mining claims may be in doubt. The ownership and validity of mining claims are often uncertain and may be contested. The Issuer is not aware of any challenges to the location or area of its mineral claims. There is, however, no guarantee that title to the Issuer's properties will not be challenged or impugned in the future. The properties may be subject to prior unregistered agreements or transfers.

### **Key Personnel**

The success of the Issuer and its ability to continue to carry on operations is dependent upon its ability to retain the services of certain key personnel. The loss of their services to the Issuer may have a material adverse effect on the Issuer.

### **Dilution**

There are a number of outstanding securities and agreements pursuant to which common shares of the Issuer may be issued in the future. If these common shares are issued, this will result in further dilution to the Issuer's shareholders. An investor's equity interest in the Issuer may also be diluted by future equity financings of the Issuer.

### **Conflicts of Interest**

Certain of the directors of the Issuer are or may become directors and/or officers of other companies engaged in mineral exploration and development, as well as mineral property acquisition. Accordingly, mineral property acquisition and/or exploration opportunities or prospects of which they become aware will not necessarily be made available to the Issuer. The directors intend to allocate these opportunities or prospects from time to time among the various companies in which they are involved, on the basis of prudent business judgment, the relative financial ability, the need of each company in which they are directors and/or officers to participate. In the event of any conflict of interest, the directors will act in accordance with the common law and the provisions of the Company Act (British Columbia).

### **CONTROLS AND DIRECTION**

The Company employs only a small number of contract employees at this time. These are the President and CEO, the President's Executive Administrative Assistant and the President of the Company's Peruvian Subsidiary Panoro Peru. The following Controls and Directions have been put in place to control and monitor the spending of the Company's financial resources:

All budgets and expenditure plans in the excess of \$100,000 are submitted to and require approval by the Board of Directors.

All cheques written on the Company's bank accounts require the signature of two Directors. The Directors and/or Officers authorized to sign cheques are the President, the Chief Financial Officer and one Independent Director.

Prior to signing cheques in payment for goods or services the respective invoices are checked by the President and his Executive Assistant and, in the case of Peru, by the President of Panoro Peru. Where applicable, field supervisors in charge of work programs, temporary employees and third party contractors first check the respective invoices or payroll records, before they are approved by the President of the Company or the President of Panoro Peru, as the case may be.

In Peru the accounting records of the Peruvian subsidiary are checked by the Company's independent accountant who also prepares the reporting documents to the Peruvian tax authorities. Funds advanced to the Peruvian subsidiary are controlled by the President of the Company and advanced on the submittal of detailed expenditure requests. Expenditures incurred in Peru are reported to the Company on a monthly as well as quarterly basis and such records are checked by the president of the Company against expenditure forecasts and submittals.

In the case of the Surigao Joint Venture, where Mindoro Resources was the Operator and submitted invoices or Cash Calls against approved budgets or approved budget supplements on a monthly basis, the invoices were checked in detail first by the President's Administrative Assistant and then by the President. Corrections have been requested in almost all cases and in some instances amounts were deducted from the cash call invoices, subject to further reconciliations and adjustments.

The Company's financial affairs are also controlled and checked by the Company's Audit Committee, consisting of the Chief Financial Officer and two independent Directors. No member of the Audit committee is responsible for the conduct of the operations of the Company or for the payment of the costs of the operations.

The accounting records of the Company are transposed to a general ledger and trial balance at the end of each quarter by an outside accountant for the use by the Company's Auditors in the preparation of the quarterly un-audited and the annual audited financial statements.

Given the state of transition of the Company to a larger organization after the closing of the CDLM acquisition the company is in the process of hiring a full time Chief Financial Officer with Chartered Accountant qualification. The selected candidate has accepted the Company's offer, subject to submission of references for the Company to consult.

It will be one of the tasks of the new CFO to institute further control procedures to track the approval processes for future expenditures and to track the actual expenditures and expenditure commitments against the approved program budgets on an ongoing basis, with reconciliations on a bi-weekly basis.

## **CORPORATE DIRECTORY**

### **Management**

C. Allen Born, Chairman and Director  
Helmut H. Wober, P. Eng., President, CEO and Director  
Christian G. Pilon, Director and President of Minera Panoro (Peru) S.A.C. William J. Boden, C.A., CFO and Director

### **Other Directors**

Lorne Torhjelm  
Christiaan Staargaard, P.Geo., (February 8, 2005)

**Exchange and Symbol:** TSX-V: PML, FRANKFURT: PZM

Share Capital  
(as of December 31, 2006)  
Issued and outstanding 37,065,725

### **Corporate Head Office**

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Vancouver, BC V6B 1L8  
Tel: 604.684.4246  
Fax: 604.684.4200  
[www.panoro.com](http://www.panoro.com)  
Email: info@panoro.com  
Investor Contact  
Tel: 604.684 4246  
Email: info@panoro.com

### **Lima, Peru Office**

Martir Olaya 201, Off. 330  
Miraflores  
Lima 18, Peru  
Tel: 51 1 241 7592  
Fax: 51 1 446 5886

### **Solicitors**

Salley Bowes Harwardt  
1750 - 1185 West Georgia Street  
Vancouver, BC V6E 4E6  
Tel: 604.688.0788  
Fax: 604.688.0778

### **Transfer Agent**

Pacific Corporate Trust  
2nd Floor, 510 Burrard Street  
Vancouver, BC V6C 3B9

### **Auditors**

Smythe Ratcliffe, Chartered Accountants  
7th Floor, 355 Burrard Street  
Vancouver, BC V6C 2G8  
Tel: 604.687.1231  
Fax: 604.688.4675